

Pinnacle Data Systems, Inc.

(AMEX: PNS)



August 2004

Safe Harbor Statement



Safe Harbor Statement: This presentation may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, including, but not limited to, statements regarding the correlation of the Company's earnings leverage and large increases in product sales, higher sales in the second half of 2004 as compared to the same period in 2003, earnings in the second half of 2004 and the Company's financial performance and growth in 2004 and 2005. The words "believe," "expect," "anticipate," "estimate," "project," and similar expressions identify forward-looking statements that speak only as of the date thereof. Investors are cautioned that such statements involve risks and uncertainties that could cause actual results to differ materially from historical or anticipated results due to many factors. These factors include changes in general economic conditions, changes in the specific markets for our products and services, adverse business conditions, changes in customer order patterns, increased competition, changes in our business or our relationship with major technology partners, pricing pressures, lack of adequate financing to take advantage of business opportunities that may arise, lack of success in technological advancements, and risks associated with our new business practices, processes and information systems. The Company undertakes no obligations to publicly update or revise such statements.



PDSi serves OEMs with computer systems and components in their products who are in high growth industries such as:

- Aerospace
- Computer and Computer Peripheral,
- Medical and Commercial Imaging,
- Semi-conductor Manufacturing, and
- Telecommunications Equipment;

providing them with:

- Engineering services,
- Product design, development and proto-typing,
- Manufacturing, and
- After-the-sale repair and logistics programs

PDSi offers innovative *application-specific embedded controllers and integration services* for the medical diagnostic and imaging market spaces. PDSi is sensitive and adaptive to the demanding requirements of the medical OEM to ensure products are safe and ready to deploy in hospital environments and is registered ISO 13485, the ISO standard for medical device manufacturers.



Blood Diagnostic Controller



Digital Imaging Controller

Commercial Imaging Solutions



PDSi offers innovative *application-specific board and system level embedded controllers and integration services* for the commercial imaging market space.



XIP-650 Board



ES220 Server



TS410 Server

PDSi offers *a range of innovative, NEBS® Server Platforms* based on Intel® and Sun Microsystems® architectures designed to facilitate the convergence of IP and Public Service Telephone Network technologies. By combining the advances afforded by emerging technologies with the scalability and broad-based support of the Intel® and Sun® architectures, PDSi's NEBS® Server Platform line allows Network Equipment Providers (NEPs) to effectively address the challenges of economy of space, functionality, connectivity and universal compatibility.



TS220



TS480



TS1350

Frame
Integration



Repair & Logistic Services



PDSi's depot repair facility is staffed with electronic technicians experienced in board and system level repair and backed by engineers experienced in mechanical, electrical, software and electronic board and system level design. Additional services include functional testing, failure analysis, engineering changes and upgrades, refurbishment, warehousing and distribution, warranty administration, and end-of-life parts management.



Introduction (cont'd)



ISO 9001

REGISTERED
COMPLIANT



ISO 13485

REGISTERED
COMPLIANT TO DESIGN
AND MANUFACTURE
MEDICAL DEVICES

ISO 14001

ENVIRONMENTALLY
REGISTERED
COMPLIANT

- Originally founded by three engineers at OSU in 1989.
- Today employs about 100 associates.
- Headquartered in a free trade zone near Rickenbacker Airport in Columbus, Ohio.
- Publicly traded since 1996
- Traded on the American Stock Exchange under the symbol PNS since 2000.
- Has 5.6 million shares outstanding and a market capitalization of about \$15 million.



Agilent Technologies



Kender Thijssen
ICT solutions & computer rentals



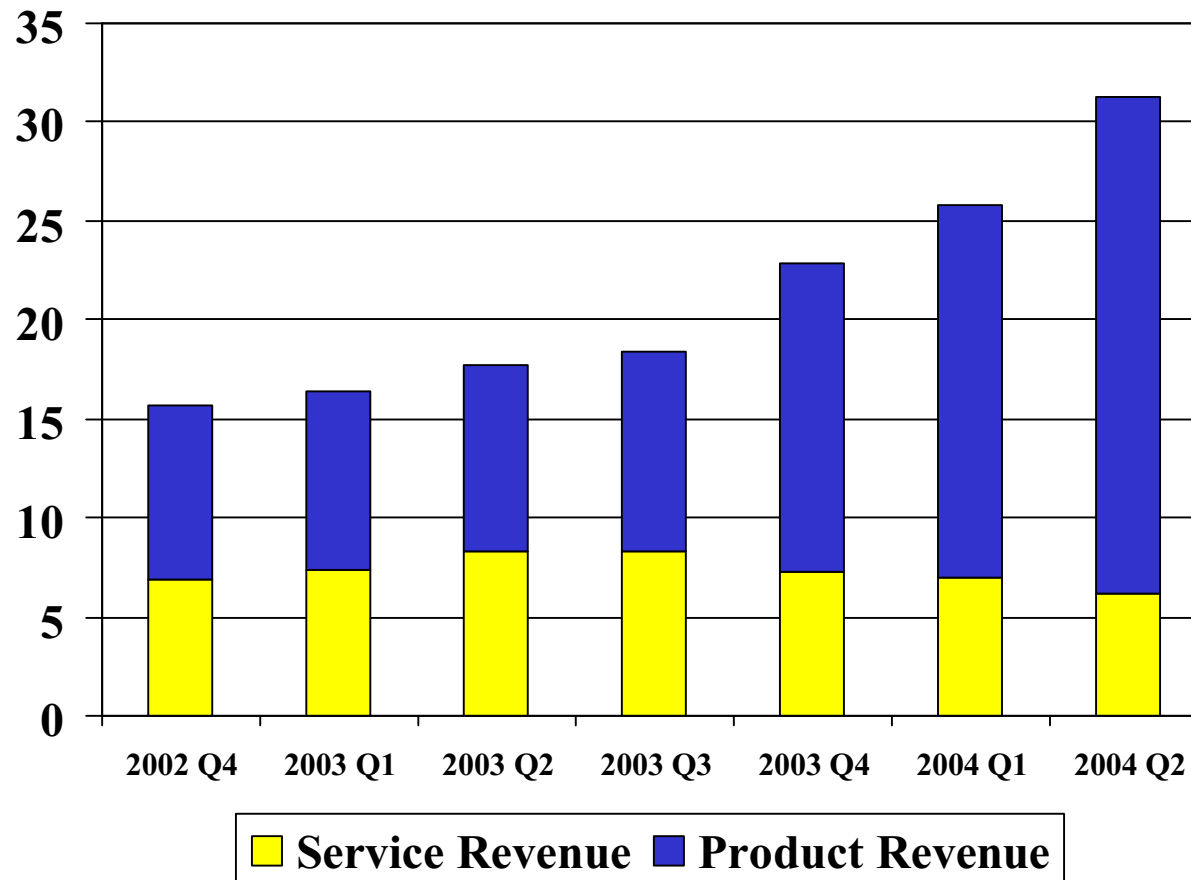


Because of the size of the customers and programs we work on, we measure our performance on a yearly, as opposed to a quarterly, basis.

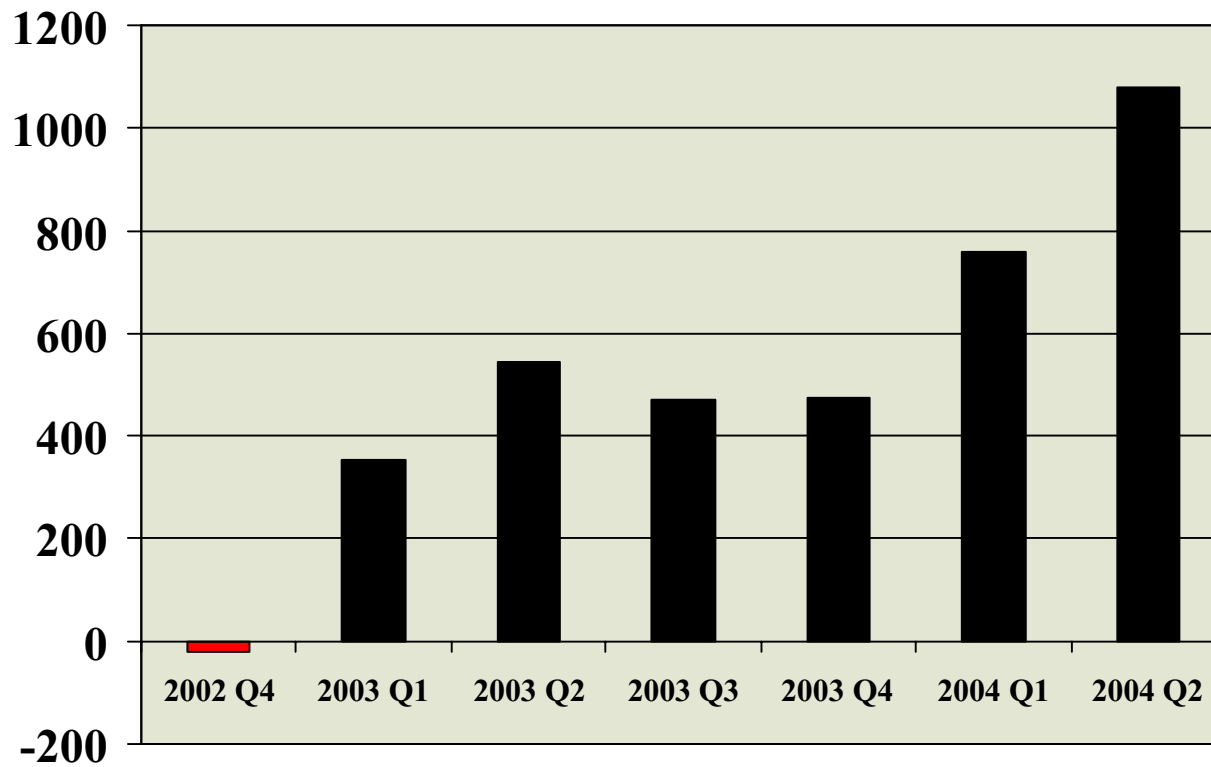
Over the last 12 months, PDSi has produced

- Sales of \$31 million,
- EBITDA of \$2.5 million,
- Diluted EPS of \$0.18 per share (on approx. 6 million shares),
- Return on Equity of 26%, and
- Has no long-term debt.

TTM Revenue (\$ millions)



TTM Net Income (\$ thousands)



John D. Bair – Chairman & CEO (with PDSi since 1989)

- Founding member of PDSi and CEO.

Michael R. Sayre – Executive Vice President & CFO (2001)

- Over 15 years starting up, growing, acquiring and divesting businesses with Fortune 1000 companies including Worthington Industries, Inc. and Harsco Corp.

Christopher L. Winslow – Vice President, Sales, Marketing and Supply Chain Management (2000)

- Over 15 years managing sales, marketing and operations in growing technology companies including CompuServe and Metatec International.

C. Robert Hahn – Vice President - Operations (1994)

- Over 20 years managing manufacturing and service operations in technology companies.

Laura Palko – Director – Human Resources and Quality Systems (2000)

- Over 15 years managing quality systems, including both large (Lucent Technologies) and small technology firms. Over nine years in dual roles also managing HR.

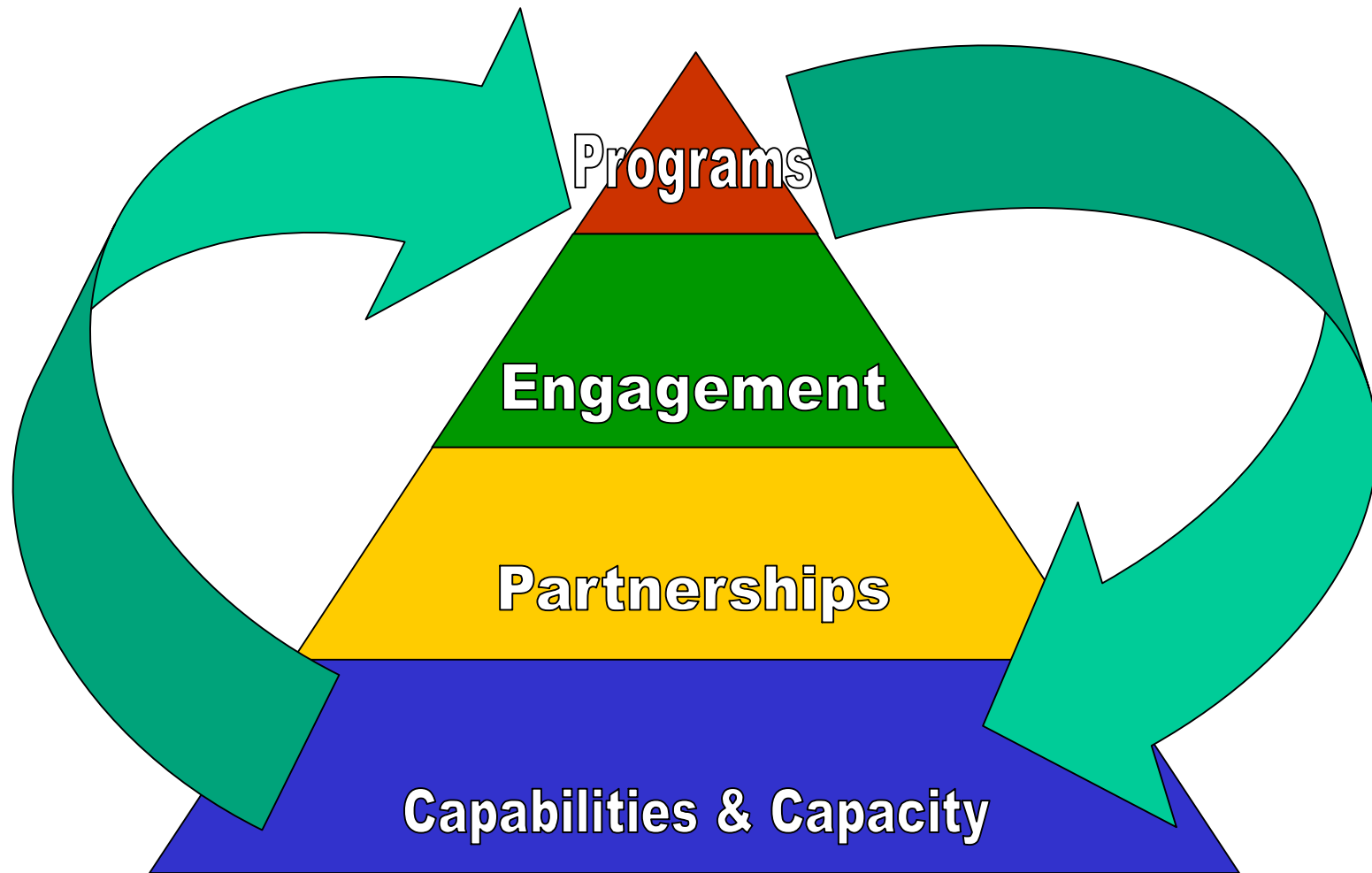
- **Maximize the growth of our repair and logistics services business**, which provides a recurring revenue stream, is profitable, and can be fairly predictable,
- **Leverage the resources** shared or provided by the services business **and strategically invest in the development and manufacture of new products** for customer-specific and niche-industry applications, and
- **Take advantage of the counter-cyclical nature of these two businesses to maintain financial stability and continue to generate significant growth opportunities** on an on-going basis in whatever the prevailing business climate happens to be.

Venture Development Corporation estimates that approximately \$1.9 billion per year of computer boards for embedded applications are purchased by the

- communication,
- industrial control,
- medical and
- military/aerospace industries,

all target markets of PDSi.

Market researcher iSuppli predicts that the electronics manufacturing services market will post 10% annual growth over the next few years, growing to over \$162 billion by 2008.



From EMS providers?

- Range of Services (capabilities, after the sale support is a core business),
- Level of Service (99-100% Scorecards from G500 customers),
- Lower Volume, and
- Higher Complexity of Products.

From other repair companies?

- Engineering capabilities...we repair what others won't, and
- Sophistication of operations gained from years of G500 work.

From other technology investments?

- Our business model...**stability** with a fairly stable base of repair business (**recurring revenue**), and
- Large **growth opportunities** in the development and sale of products for our G500 customers who have already invested in the market research.



AMEX: PNS

- Customer and partner relationships with large original equipment manufacturers like Hewlett-Packard, Sun Microsystems, Intel, Agilent, AMD and more, that we can leverage,
- A business model with both stability and significant growth opportunities, and
- An experienced management team committed to growing the company.

ISO 9001REGISTERED
COMPLIANT**ISO 13485**REGISTERED
COMPLIANT TO DESIGN
AND MANUFACTURE
MEDICAL DEVICES**ISO 14001**ENVIRONMENTALLY
REGISTERED
COMPLIANT***PDSi has***

- More direct referrals from Fortune Global 500 stalwarts in the computer industry,
- More in-house experience selling and closing business through our partnerships, and
- More award-winning technical capabilities to back up our sales efforts

than at any other time in our history!